

Professor Danuta Hübner
European Commissioner for regional Policy
Competitiveness and Solidarity: Friends or Foes
Seminar: The Solidarity and Competitiveness: European
Regions and Challenges of Globalisation
Committee of Regions
20 November, 2007

Ladies and Gentlemen,

I am very pleased to speak to you today, in the Committee of Regions, on global challenges for European regions and on the way in which they can meet and benefit from these challenges.

Accordingly, I have divided my intervention into three parts. I would like to start by saying some words on the relevance of the global context and global challenges for the development of European regions. Secondly, I shall have a closer look the way in which regional policy can help regions successfully address these changes. Finally, I would like to come back to the title of our seminar and discuss with you and the role that competitiveness and solidarity can play in this respect.

In the past the main frame of reference for the regional development in the Union has been of internal nature, somewhat leaving dealing with external challenges to national governments and community policies, such as trade policy. Regional policy was mainly about the

economic changes taking place within the country or just across the border. China or India were far away.

Today we live in a different world where India and China is around the corner. Every week the Chinese government builds a new power station; 1 in every 2 cranes standing in the world today is on a building site in China; when in 2004, Infosys advertised 9000 software engineer jobs in India almost 1 million people applied. We often describe this new world by referring to the increasing economic competition which is now felt across all the Union's territories and all sectors of European economy. Or we speak about the changes the magnitude of which requires a co-ordinated action involving European and world actors.

Clearly, these changes are of fundamental importance to European regions. Expanding the horizon to the global level is particularly important for the competitiveness of the EU regions in light of the rise of several global challenges, which were identified in the Fourth Cohesion report. So, let us now look at three of them: economic competition, climate change and social polarisation.

Every fourth region in the Union has a high share of employment in sectors where competition from emerging economies is very high. There are 61 regions in the Union which have more than 3% of their total employment concentrated in vulnerable industries, such as textiles, audiovisual and ICT equipment or steel making. These are regions which need to engage into significant restructuring processes

aimed at diversifying their economic structure into new, growing sectors.

Secondly, climate change will have an impact on the broad range of European regions from the Arctic down to the Alps and the Mediterranean. It will result in recurring natural disasters such as floods and droughts. This will pose serious problems to regions dependent on tourism and agriculture. Already today 7% of the Union's population live in areas at high risk of floods; on the other hand around 9% lives in an area where there are over 120 days a year without rain.

Thirdly, social polarisation will be felt across our regions with diverse intensity following variations in education levels. Today these variations are more pronounced between regions than between Member States: in the less developed regions of the EU27 only 14% of population in working age had tertiary qualification in 2005 against 25% in the more developed regions. Thus regional development strategies must take into account that in a global economy the successful participation in economy and society will require increasingly complex skills and education and that the cost of social exclusion will grow with each new generation.

I could continue this list, as Fourth Cohesion Report abounds in other examples of global challenges. Take demography - we have in the Union 85 regions which are experiencing absolute population decline, and another 76 which maintain population growth only thanks to migration. Another example is R&D and innovation deficit, which is

today a key asset to economic development of Europe. At the one end of the scale there are regions which invest 8% of their GDP in R&D (Braunschweig) while on the other we have regions which invest merely 0,1% (Świętokrzyskie).

The important point to make is that global challenges will increasingly set the context for the European regional development in decades to come. Today European regions and cities cannot ignore external developments and wait until globalisation knocks at their door. It does not matter how remote your region or city is, it cannot develop without thinking how to plug in to the external world.

But how to do it? How European regional policy can help regions to address their development against the backdrop of such challenges?

Until now we looked at global challenges only at the context of the impact they leave on regional development. This is of course very true. However, there is another angle of globalisation which often escapes our attention - that of the regions being best placed to drive development in a global world. In other words, regions can be actors on the global scene, not only supernumeraries.

The explanation of this can be found in new growth theories. They suggest that although ICT technologies reduce the importance of geographic proximity in business, at the same time new reasons for proximity emerge. Localized productivity advantages such as business environment, skills, innovative SMEs, research capacities

and talents which a region can offer are ultimately more valuable to firms than the cost of inputs.

In other words, globalisation reinforces the importance of territory and moves regional and local economies into the core of economic development. Some years ago it was possible to design a national development strategy with a time horizon of 20 years and to implement it undisturbed throughout this period. Today a change may happen overnight. It will be increasingly difficult to anticipate, react and benefit from those changes through the policies designed far away from the regions.

This has an impact on the meaning of subsidiarity. Indeed, we can see it in the Berlin declaration which puts regions at the same footing as Member States and European Institutions. The new Treaty enshrined territorial cohesion together with economic and social cohesion which confirms the role of the European territories in economic development. Member States themselves have been increasingly recognizing that devolution of governance fosters efficiency and growth through a process of decentralisation and relying increasingly on local and regional planning.

New European regional policy recognizes the link between regional development and globalisation by giving to the latter increasing importance in the process of catching up. While caring for internal convergence at the same time the role of regional policy is to help regional economies find their place in world markets, in critical global

networks and clusters. Global challenges represent opportunities to innovate and grow for both, better-off and lagging regions.

That is why renewed Lisbon agenda and innovation has been put in the heart of the new European regional policy. The planned investment for innovation in 2007-2013 will be above EUR 85 billion which corresponds to 25% of the total new envelope for EU-27. This value is more than 3 times higher than in 2000-2006.

Climate change is another example. The UK Stern report stated the benefits of tackling climate change far outweigh the costs, especially if tackled early. New regional policy is matching this approach by investing in renewable energy, energy efficiency and renewable energy production. Compared to the previous programming period, investments earmarked for energy efficiency have doubled and for renewable energy have even quadrupled. As a result, close to € 9 billion will be invested in sustainable energy during the current programming period.

But there is one more way in which regional policy can help regions respond to global changes. New growth theories and business books which top bestsellers lists today talk a lot about co-operation. The new buzz words in economic and business circles are openness, peering, sharing and acting globally. The reason for this is that changes in the nature of technology and the global economy are giving rise to new models of production based on collaboration and self-organization rather than on hierarchy and control.

So, competitiveness and co-operation are not foes but friends! Today co-operation and partnerships turn out to be one of the principal preconditions for competitiveness and economic change. And, by involving new actors and tapping new resources, they have the power to change the global game, to move away from zero sum game. Instead of stealing jobs we can enlarge the cake.

Well, this is the same co-operation and partnership which since almost 20 years has been of the key principles of the regional policy. That's is why INTERREG has now become a fully fledged objective of its own and why we have reinforced the role of partnership in new regulations.

Ladies and gentlemen,

I have spoken of the global challenges confronting EU regions today. And I was trying to make the point that European regions can take an active part in the global game, rather than being just a bystander. As we have with us today President Walesa and the President of Pomorskie region I cannot resist thinking about one global change which started in Gdańsk, with Solidarność movement, 27 years ago.

This change brought democracy and paved the way for Union's enlargement. And today it is perhaps the most striking example of how solidarity and co-operation can underpin economic development of the whole Union. Let me quote here the last publication of Lisbon Council which says that "nowhere in Europe has economic growth has been as impressive and durable as in the countries of Central

and Eastern Europe" and concludes that the enlargement "has been a boom to Europe at large, providing a much needed economic stimulus to EU-15".

The former Minister of Foreign Affairs in Poland, Mr Bartoszewski, used to say that there are two different things in life – those which are worth doing and those which pay off - and that they rarely go hand in hand. Fortunately, European solidarity – which is also manifesting itself through European regional policy - is something which is both, worth doing and paying off.

Thank you for your attention,